LOMBARD ODIER
INVESTMENT MANAGERS

LO Funds
Planetary Transition
Newsletter

Sustainable Equities • Equities

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MARKET REVIEW

In October, the US constructive narrative continued amid solid economic growth and a resilient labour market. Most economic data released added support to the soft-landing narrative, or even a no-landing one, helping to push back against recession fears. It is worth noting that the stronger-than-expected US job data led to a sharp uplift in US yields and the USD versus most major currencies. The economic backdrop in the EU stands in stark contrast to that of the US, with recent weak Eurozone data, including contracting PMIs, softening inflation figures (below ECB target) and deteriorating consumer sentiment. In China, the various announcements in October were perceived as insufficient and fell short of the major stimulus expected from previous months’ indications. In parallel, China-EU tensions escalated as China imposed anti-dumping measures on imports of brandy in a tit-for-tat response to the EU duty tax imposed on Chinese EVs.

On the corporate front, the quarterly reporting season started. In terms of earnings surprises, Communication Services (driven by Alphabet), Financials (driven by diversified Banks) and Healthcare (driven by large traditional pharmaceuticals) were the strongest sectors. The Information Technology sector was, in general, “just” in line with expectations due to soft figures from semiconductor and IT hardware companies. Among the top 10 companies in the equity market (c. 25% weight), while Amazon and Alphabet were strong, Microsoft was under pressure as it forecast slower growth in its cloud business. Meta shares slid after it indicated “significant” growth in capital expenditure next year.

PERFORMANCE COMMENT

In October, the Planetary Transition Strategy lagged its reference index, which was also weak. Sector allocation was a slight negative drag, largely due to our underexposure to Communication Services, one of only two sectors up in absolute terms during the month. Stock selection was the key factor behind our performance drag. In general, the rapid rise in US yields had a detrimental impact on some of our preferred themes (transitioning utilities, renewable value chain, semiconductors). As we enter November, this dynamic seems to be reverting, supporting our preferences. From a more detailed stock selection perspective, Enphase's shares dropped 26% as the market penalised the push-out for the solar market recovery, particularly in Europe. AES's shares were weak (-18%), with an EBITDA miss at the recent results overshadowing the robust renewables pipeline. Finally, Shimano delivered a miss, which we view as largely currency-related and once-off in nature. On the positive side, we saw our precious metals exposure perform strongly considering this month's dynamics, and we continue to believe the demand profile for silver is underestimated, given its use in the solar and broader industrial market. Furthermore, TSMC continues to deliver strongly despite some weakness in broader semiconductor markets, with capex on AI tools and capacity expenditure from the cloud players underwriting its growth profile.

PORTFOLIO POSITIONING

In October, the Planetary Transition Fund’s key investment was in BellRing Brands. The company is well exposed to health and dietary shifts by offering protein-rich, low-sugar products under various brands. As GLP-1 agonists such as Ozempic drive appetite suppression, consumers are increasingly seeking nutrient-dense options to maintain balanced nutrition with smaller portions. BellRing’s products support this shift, promoting healthier eating habits and reducing reliance on calorie-dense foods, thereby fostering a more health-focused lifestyle. The business is very capital-light, with a robust return on capital profile. We see strong market trends, with Walmart alone looking to increase shelf space for this category by 30%. Currently, BellRing only has 9% of shelf space despite representing 18% of the category sales. To fund this, we decided to exit Nestle, where we believe execution no longer commands a premium multiple and we have weak visibility on management’s ability to restructure for growth.

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OUTLOOK

In 2024, as the inflation battle seemed over, countries' monetary policies have now moved towards a more accommodative stance, with rate cuts across key economies, with the exception of Japan. The narrative of a soft landing is starting to take shape, potentially favouring a broadening of the equity market performance into the second part of 2024 and 2025, following performance having been concentrated in a narrow set of companies since 2023.

Many of our themes were left behind and encountered cyclical headwinds, such as clean energy-related themes, which saw a decline of nearly 20%. Despite these cyclical headwinds, we believe that the structural trends we focus on are firmly established. Looking ahead into the rest of 2024 and 2025, we identify several attractive opportunities that were unduly overlooked and could regain investors' attention.

Overall, our portfolio adheres to the principles of strong quality growth while maintaining disciplined valuation. With our dedicated sustainability research team, encompassing system changes across sectors, we are confident that the Planetary Transition strategy is well-positioned to capture investment opportunities arising from a society transitioning to net zero, becoming more nature-positive and socially equitable. This provides investors with a diverse range of growth opportunities.

FUND STRATEGY

At Lombard Odier, we firmly believe that the current global economic model is unsustainable, and we recognise the ongoing transition towards a circular, lean, inclusive and clean economic model. This transition is driving fundamental changes in material systems across value chains and industries. These changes will accelerate through market inflection points, where the adoption of sustainable products and services will rapidly increase, shifting from niche to mass market. As a result, new and evolving profit pools will emerge within and across sectors.

Our investment approach for the Planetary Transition strategy is guided by a systems-change framework. We understand that these systems are interconnected with planetary boundaries. This strategy serves as the overarching approach for LOIM's holistiQ investment philosophy, focusing on various sustainable themes within key systems such as industrials, consumers, materials or energy. Additionally, we identify other opportunities for system changes that contribute to a society that values planetary boundaries and aligns with the sustainability transition.

The strategy encompasses key themes, including green sources of power, electrification of demand (in areas such as mobility, buildings and industry), the bio-economy, new food systems, resource efficiency, circularity, zero waste, preventive case, new consumers and enabling technology solutions across multiple systems.

PERFORMANCE

31.10.2024	INCEPTION	AUM	MONTH-TO-DATE	YEAR-TO-DATE	INCEPTION-TO-DATE	2023	2022	2021
LO Funds – Planetary Transition PA [1]	16 March 2020	USD 378 mn	-3.83%	8.39%	73.00%	7.58%	-19.42%	14.67%
LO Funds – Planetary Transition NA [2]			-3.76%	9.16%	79.94%	8.49%	-18.74%	15.64%
Benchmark [3]			-1.98%	16.50%	130.09%	23.79%	-18.14%	21.82%

Past performance is not a guarantee of future results. Performance is presented net of fees.
[1] Dividend accumulated private client share, net performance in USD.
[2] Dividend accumulated institutional client share, net performance in USD.
[3] MSCI World ND USD

RISK AND REWARD PROFILE

1	2	3	4	5	6	7

Lower Risk Higher Risk

The following risks may be materially relevant but may not always be adequately captured by the synthetic risk indicator and may cause additional loss:

Concentration risk: To the extent that the fund's investments are concentrated in a particular country, market, industry, sector or asset class, the fund may be susceptible to loss due to adverse occurrences affecting that country, market, industry, sector or asset class.

Emerging market risk: Significant investment in emerging markets may expose to difficulties when buying and selling investments. Emerging markets are also more likely to experience political uncertainty and investments held in these countries may not have the same protection as those held in more developed countries.

Active management risk: Active management relies on anticipating various market developments and/or security selection. There is a risk at any given time that the fund may not be invested in the highest-performing markets or securities. The fund's net asset value may also decline.

Before taking any investment decision, please read the latest version of the prospectus, the articles of incorporation, the Key Information Documents (KIDs) and the latest annual report and semi-annual report. Please pay attention to the Appendix B "Risk Factors Annex" of the prospectus.

Incorporation of extra-financial risks into the investment decision process may result in underweighting of profitable investments from the sub-fund’s investment universe and may also lead the management of the sub-fund to underweight investments that will continue to perform. Sustainability risks may lead to a significant deterioration in the financial profile, profitability or reputation of an underlying investment and may therefore have a significant impact on its market price or liquidity.

The Fund has been classified as a financial product subject to Article 8 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (the “SFDR”). The Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

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Investments are subject to a variety of risks: The investments mentioned in this document may carry risks that are difficult to quantify and integrate into an investment assessment. In general, products such as equities, bonds, forex, or money market instruments bear risks, which are higher in the case of derivative, structured, and private equity products; these are aimed solely at investors who are able to understand their nature and characteristics and to bear their associated risks. On request, LOIM will be pleased to provide investors with more detailed information concerning risks associated with given instruments. The liquidity of an investment is subject to supply and demand. Some products may not have a well-established secondary market or in extreme market conditions may be difficult to value, resulting in price volatility and making it difficult to obtain a price to dispose of the asset.

Where the Fund is denominated in a currency other than an investor's base currency, changes in the rate of exchange may have an adverse effect on price and income. All performance figures reflect the reinvestment of interest and dividends and do not take account the commissions and costs incurred on the issue and redemption of shares/units; performance figures are estimated and unaudited. Net performance shows the performance net of fees and expenses for the relevant fund/share class over the reference period. This document does not contain personalised recommendations or advice and is not intended to substitute any professional advice on investment in financial products. Neither this marketing communication nor this document nor any part of it shall form the basis of, or be relied on in connection with, any contract to purchase or subscription to the Fund. Not all costs are listed in this document and the investor is recommended to refer to the Offering documents for more information.

The articles of association, the prospectus, the Key Information Document ("PRIIPS/KIDs"), and the subscription form are the only official Offering Documents of the Fund's shares (the "Offering Documents"). No party is authorised to provide information or make assurances that are not contained in the Offering Documents.

Access to documents in country of registrations:
The PRIIPS/KIDs are available in one of the official languages of your country and a Prospectus is available in English, French, German and

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This Fund is classified as Article 8 under the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-Related Disclosures in the Financial Services Sector ("SFDR"). A Summary of the sustainable website product disclosure is available in English in the "Sustainability-related Disclosure" section of the website fund page on "www loim com". Methodological limits: Assessment of sustainability risks is complex and may be based on ESG data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed.

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Luxembourg. Commission de Surveillance du Secteur Financier (CSSF), 291, route d'Arlon, L-1150 Luxembourg; www.cssf.lu.
Netherlands. Representative: Lombard Odier Funds (Europe) S.A. – Dutch Branch, Parklaan 26, 3016 BC Rotterdam, Supervisory Authority: Autoriteit Financiële Markten (AFM).
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